



Transmission Business Line (TBL)

Competing Requests Under OATT Section 2.2 Reservation Priority for Existing Long-Term Firm Service Customers

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This document is posted for information purposes only to facilitate discussion at the TBL Reservation Priority customer workshop on October 20, 2004. This posting is not a business practice and its contents do not constitute official TBL policy.

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Text of OATT section 2.2, Reservation Priority For Existing Firm Service Customers

Existing firm service customers (wholesale requirements and transmission-only, with a contract term of one-year or more), have the right to continue to take transmission service from the Transmission Provider when the contract expires, rolls over or is renewed. This transmission reservation priority is independent of whether the existing customer continues to purchase capacity and energy from the Transmission Provider or elects to purchase capacity and energy from another supplier. If at the end of the contract term, the Transmission Provider's Transmission System cannot accommodate all of the requests for transmission service the existing firm service customer must agree to accept a contract term at least equal to a competing request by any new Eligible Customer and to pay the current just and reasonable rate, as approved by the Commission, for such service. This transmission reservation priority for existing firm service customers is an ongoing right that may be exercised at the end of all firm contract terms of one-year or longer.

Principles For a Successful Reservation Priority Process:

1. Facilitates section 2.2 competition on both the network and the interties
2. Reflects current FERC guidelines to the extent known
3. Supports efforts to manage the transmission request queue
4. Transparent
5. Reasonably easy to understand

Possible Approaches:

1. Two-Week Request Window

- a) When a transmission customer submits a request to exercise its ROFR, the TBL posts a notice on OASIS inviting the submission of competing requests and establishing a two-week deadline for submissions. All requests of longer duration than the ROFR request that are received within the window qualify as competing requests.
- b) TBL identifies the competing request with the highest priority (potential ways to determine priority are listed below under “issues”). TBL offers the customer that has submitted that request a contingent service agreement under which the customer agrees to take the capacity if the customer with the ROFR fails to match the duration of the competing request. The customer with the ROFR must then match the duration of the competing request to retain the capacity. If the customer with the ROFR fails to match the duration of the competing request, such customer has a choice of releasing either 1) all of its capacity; or 2) the amount of capacity needed for TBL to fulfill the competing request, if such amount is less than the ROFR customer’s entire capacity.
- c) If a customer with a ROFR has failed to submit a request to exercise its ROFR, sixty days before the expiration of the customer’s service agreement TBL posts the two-week notice and accepts competing requests. TBL offers a service agreement (non-contingent) to the highest priority competing request. If the customer with the highest priority competing request fails to execute the service agreement, or if capacity remains after the customer has executed the service agreement, TBL offers a service agreement to the competing request with the next highest priority, and so on.

Issues: (Note: Some of these issues also apply to the other approaches.)

1. Is two weeks the right time period?
2. Should a request be considered a competing request if it can be fulfilled in whole if it is offered the ROFR capacity, or should the request qualify even if it can be fulfilled only in part?
3. Should a request be considered a competing request only if its commencement date is the same as the commencement date of the ROFR request? If not, should any limits be placed on when the competing request can start—e.g., what if its commencement date is two years after the commencement date of the ROFR?
4. How should priority among competing requests be determined—by queue time, duration, MW-days?
5. If a transmission customer fails to exercise its ROFR, is the two-week window the correct approach or should TBL simply post the newly available capacity and offer it on a first-come, first-served basis?
6. Should requests submitted before the ROFR request is submitted, or after it is submitted but before TBL has posted notice of the two-week window, be considered competing requests? If so, should it matter what stage of the process the competing request is at (e.g., TBL has not responded yet; TBL has offered an SIS; TBL is performing an SIS)?

7. If the customer with the ROFR matches the duration of the competing request with the highest priority, must it then also match the duration of the competing request with the next highest priority?
8. If the customer with the ROFR fails to match the duration of the competing request with the highest priority, but only part of the ROFR capacity is needed for the competing request, must the customer with the ROFR then match the duration of the competing request with the next highest priority?
9. Other issues?

2 Offer Competing Requests Contingent Service Agreements

- a) Accept requests through the normal first-come, first-served process. If TBL has insufficient capacity to satisfy a request, determine whether the request can be fulfilled by utilizing capacity encumbered by a ROFR. If so, in order to remain in the queue the customer must execute either a System Impact Study (SIS) or a contingent service agreement under which the customer agrees to take the capacity if the customer with the ROFR either fails to match the duration of the competing request or fails to exercise its ROFR.
- b) TBL will offer contingent service agreements on a path until, counting both customers that have executed SIS's and customers that have executed contingent service agreements, sufficient requests are in the queue to utilize the entire ROFR capacity. When the customer with the ROFR submits a request to exercise its ROFR, priority among competing requests is based on queue time, with no differentiation made between customers that have executed SIS's and customers that have executed contingent service agreements. Priority is also based on queue time if the customer with the ROFR fails to exercise its ROFR.

3. Accept Competing Requests Through the Normal Tariff Process

- a) Accept requests through the normal first-come, first-served process. If TBL has insufficient capacity to fulfill a request, the customer that submitted the request must execute an SIS to remain in the queue. When the customer with the ROFR submits a request to exercise its ROFR, TBL offers a contingent service agreement to the customer with the highest priority competing request. If such customer does not execute the contingent service agreement, TBL offers a contingent service agreement to the competing request with the next highest priority, and so on.
- b) Competing requests are those requests of longer duration than the ROFR request that are in the queue pursuant to the normal tariff process; e.g., have executed an SIS, have submitted a request and are awaiting a response, etc. Priority is based on queue time. The customer with the ROFR must match the duration of the first competing request that executes a contingent service agreement.